

## BROMLEY RISK REGISTER - HIGH RISKS - FEBRUARY 2014

Risk Ref	Department	Division	Section	Risk / Consequences and Risk Category	Risk Owner	Existing Controls and Proposed Actions	Financial Implications
RES/ALL.0075	Chief Executive's	All CEX Divisions	All CEX Sections	<p><b>Project Management</b></p> <p>Failure to deliver on efficiency projects stated aims as a result of project management failings (e.g. timescale / budget overruns) resulting in savings having to be made elsewhere</p> <p>Personnel - Operational</p>	All CEX Managers	<p><b>Controls:</b></p> <p>1. Effective training in project management techniques</p> <p>-----</p> <p><b>Actions:</b></p> <p>- Identify key management staff</p> <p>- Through PADS/PRP, identify need for and provide project management training</p>	Any number of projects coming out of the Commissioning and Baseline Reviews are suffering from low project resources and skills. With a consequential impact on project timelines and outcomes. These will impact on the deliver of required outcomes and budget requirements - up to £1m
RES/ALL.0077	Chief Executive's	All CEX Divisions	All CEX Sections	<p><b>Legislation</b></p> <p>Breach of statutory obligations through failure of compliance with relevant legislation (e.g. EU Procurement Rules, Health and Safety etc.)</p> <p>Legal - Operational</p>	All CEX Managers	<p><b>Controls:</b></p> <p>1. Register of all relevant statutory requirements</p> <p>2. Regular review of compliance</p> <p>3. Effective training of managers in requirements of relevant legislation</p> <p>-----</p> <p><b>Actions:</b></p> <p>- Identify, document and review all relevant statutory requirements</p> <p>- Identify and train all staff responsible for meeting statutory requirements</p>	<p>EU and UK Procurement changes have increased this risk and its consequences - up to £500k</p> <p>Corporate Manslaughter Act 2007 - penalties include unlimited fines in the event of a conviction. In a recent prosecution the fine equalled all the company's assets, effectively closing down the business. Based on this the financial impact on Bromley could be £5m upwards.</p>

CEX/AUD.0021	Chief Executive's	Audit	Audit	<p><b>Fraud</b></p> <p>Failure to identify and highlight frauds and weaknesses in the system of internal control resulting in losses and reputational damage</p> <p>Professional - Operational</p>	Luis Remedios - Head of Audit	<p><b>Controls:</b></p> <ol style="list-style-type: none"> <li>1. Audit plan</li> <li>2. Reports, advice and guidance to management and Members</li> <li>3. Priority 1 recommendations reported to Audit Sub-Committee</li> <li>4. Adequate and effective financial regulations</li> <li>5. Adherence to CIPFA's Code of Practice for Internal Audit</li> <li>6. Partnership with Greenwich Fraud Team</li> <li>7. Anti-fraud and corruption strategy published on the council's website and intranet</li> <li>8. Whistleblowing procedures</li> </ol> <p>-----</p> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>- Delivery of audit plan</li> <li>- Follow up audits</li> <li>- Cyclical reports to Audit Sub-Committee on all fraud investigations including updated fraud register</li> <li>- National Fraud Initiative (NFI) - biennial data matching exercise but with flexibility to upload data as and when required</li> <li>- Mandatory web based training on financial regulations, contract procedure rules and reference to fraud toolkit</li> <li>- Links with Public Sector Fraud Partnership and London Boroughs' Fraud Investigators' Group</li> </ul>	<p>Although loss from internal employee fraud is relatively rare this can occur across all service areas e.g. recent Insurance fraud - £46k (which has since been recovered).</p> <p>In the main fraud losses are benefit related:</p> <ul style="list-style-type: none"> <li>- Investigations identified 73 housing and council tax benefit frauds totalling £425k in 2012/13</li> <li>- The recent NFI data matching exercise (Nov 2013) highlighted £264k of fraudulent claims including single person discount, student loans and housing benefit</li> </ul>
RES/LDC.0099	Chief Executive's	Corporate Services	All Corporate Services Sections	<p><b>Customer Services</b></p> <p>Failure to meet the current and changing needs of customers; risk of censure at local level</p> <p>Customer / Citizen - Strategic</p>	Director Corporate Services / Joy Connor	<p><b>Controls:</b></p> <ol style="list-style-type: none"> <li>1. Systematic consultation</li> <li>2. Robust internal customer service standards</li> <li>3. Continuous learning and feedback</li> </ol> <p>-----</p> <p><b>Actions:</b></p>	<p>Although we consult on service changes this could lead to a judicial review of decisions made. Such cases could lead to adverse publicity (which is difficult to put a financial value against) but also real resource / financial costs if we were to lose. Judgements against us could incur financial awards and also costs for ourselves and the successful party. Depending on the case, this could be in the region of £20k to £30k.</p>
RES/TEC.0305	Chief Executive's	Finance	Finance / Technical and Control	<p><b>Capital Income</b></p> <p>Capital income shortfall due to a reduction in capital receipts and delays in disposals as a result of the economic environment</p> <p>Economic - Strategic</p>	Tracey Pearson - Chief Accountant	<p><b>Controls:</b></p> <ol style="list-style-type: none"> <li>1. Close monitoring of spend and income</li> <li>2. Reporting to Members</li> <li>3. Tight control of spending commitments</li> </ol> <p>-----</p> <p><b>Actions:</b></p>	<p>The capital programme includes receipts of £11m in 2014/15, £6m in 2015/16 and £1m per annum in later years assuming all planned receipts are achieved. The financing model reflects prudent assumptions on the level of capital receipts in view of continuing uncertainty in the property market. These figures include estimated receipts in respect of the disposal of the two remaining main sites in the disposal programme: Tweedy Road and Bromley Town Hall.</p> <p>The Director R&amp;T advises that given the change in the property market - volumes have increased as has market activity - delays are likely to be more around planning issues.</p>

RES/TEC.0298	Chief Executive's	Finance	Technical and Control	<p><b>Banking Failure</b></p> <p>Banking failure with the result that our investments are at risk and subject to a prolonged recovery process</p> <p>Financial - Operational</p>	Martin Reeves - Principal Accountant	<p><b>Controls:</b></p> <ol style="list-style-type: none"> <li>1. Annual investment strategy</li> <li>2. Review of counterparty list</li> <li>3. Monitoring via Sector (external advisors)</li> <li>4. CIPFA Treasury Management Code of Practice</li> </ol> <p>-----</p> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>- Quarterly reports to Executive</li> <li>- Quarterly reports to PDS and Portfolio Holder</li> <li>- Detailed review of approach</li> <li>- Intensified monitoring of position</li> <li>- Adoption of Code of Practice</li> <li>- Approval of annual strategy by full Council (February)</li> </ul>	<p>Bromley had £5.1m invested with the Heritable Bank at the time of the Icelandic banking collapse in 2008. To date some £4.8m has been recovered with further recoveries expected.</p> <p>Although our investment criteria have been tightened since then, in view of continued uncertainty within the financial markets and banking sector we remain at risk that one or more of our investment counterparties may suffer severe liquidity problems. Currently we have £265m placed on deposit with various financial institutions up to limits set down in our annual investment strategy (e.g. we have set limits of £40m to both Lloyds and RBS for up to 2 years). Although it is difficult to predict, another financial meltdown could, on a worse case basis, result in another Heritable Bank scenario.</p> <p>By definition, any investment is risky to a degree, but the controls in place seek to minimise/manage these risks as much as possible to protect the principal sums. It is difficult to predict a sum that may be 'at risk', but, if we assume that only one bank goes under, it could be between £5m and £40m.</p>
RES/TEC.0299	Chief Executive's	Finance	Technical and Control	<p><b>Pension Fund</b></p> <p>The Pension Fund does not have sufficient resources to meet all liabilities as they fall due:</p> <ol style="list-style-type: none"> <li>1. Investment markets fail to perform in line with expectations</li> <li>2. Market yields move at a variance with assumptions</li> <li>3. Investment managers fail to achieve their targets over the longer term</li> <li>4. Longevity horizon continues to expand</li> <li>5. Deterioration in pattern of early retirements</li> <li>6. Changes to regulations e.g. more favourable benefits package</li> <li>7. Administering authority unaware of structural changes in an employer's membership e.g. large fall in employee members, large number of retirements</li> </ol> <p>Financial - Operational</p>	Director of Finance	<p><b>Controls:</b></p> <ol style="list-style-type: none"> <li>1. Financial: Monitoring of investment returns - analysis of valuation reports</li> <li>2. Demographic: Longevity horizon monitored at triennial reviews - quarterly review of retirement levels</li> <li>3. Regulatory: Monitor draft regulations and respond to consultations - actuarial advice on potential where appropriate</li> <li>4. Governance: Encourage other employers to keep Council informed of changes. Bromley Mytime employer's contribution rate to be reviewed annually towards end of contract</li> </ol> <p>-----</p> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>- Quarterly reports to Pensions Investment Sub-Committee</li> <li>- Funding Strategy Statement</li> <li>- Statement of Investment Principles</li> <li>- Communications Policy</li> <li>- Governance Policy</li> <li>- Triennial valuation by actuary</li> </ul>	<p>At the last valuation of the Council's Pension Fund in 2010, it was deemed by the actuary to be 84% funded, with a net deficit of £82m. The 2013 valuation, although not yet finished, is likely to result in a funding level of 82% and a net deficit of £128m. The triennial valuation sets the level of employer contributions required to eliminate the deficit in a specified time-frame – in Bromley's case, Members agreed this at 12 years in the last valuation and are likely to increase it to 15 years as a result of the 2013 valuation. Employer contribution rates will be revised from 1st April 2014 with the aim of clearing the deficit in that time-frame.</p> <p>Scenario testing is carried out at and between valuations and quarterly monitoring reports to the Pension Investment Sub-Committee review the performance of investments, early retirements and give information on scheme changes.</p> <p>In practice, the fund will always have sufficient resources to meet liabilities as they become due, so it is impossible to identify an 'at risk' figure.</p>

RES/TEC.0300	Chief Executive's	Finance	Technical and Control	<p><b>Treasury Management</b></p> <p>Failure to manage and control Treasury Management activities with the result that we do not maximise our interest earnings on balances:</p> <p>Liquidity, Interest rate, Exchange rate, Inflation, Credit and counterparty, Refinancing, Legal and regulatory risks</p> <p>Financial - Operational</p>	Martin Reeves - Principal Accountant	<p><b>Controls:</b></p> <ol style="list-style-type: none"> <li>1. Regular strategy meetings</li> <li>2. Use of external advisors</li> <li>3. Internal Audit review of activities</li> <li>4. Reporting to Members</li> <li>5. Adoption of CIPFA Treasury Management Code of Practice</li> </ol> <p>-----</p> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>- Periodic reviews of approach in light of the economic environment</li> </ul>	<p>£265m currently invested with banks and other financial institutions. Limits placed on total sums invested with individual counterparties, both monetary and time. Officer strategy meetings agree action on maturing deposits, taking account of current interest rates, counterparty availability, the future maturity profile and other market factors. In accordance with the Code, the Council takes all recommended steps to minimise risk, with security and liquidity the main priorities before yield.</p> <p>Assuming a rate of 1% we budgeted for net interest earnings of £1.6m in 2013/14 which could be considered the value 'at risk'. In practice, however, lower rates and shorter investment periods mean that interest earned on any individual investment remains relatively low. At this stage, it is estimated that increased average balances will offset the interest rate reductions and will enable the budget for interest earnings to be achieved.</p>
R&T/HSD.0370	Chief Executive's	Regeneration and Transformation	Strategic Housing	<p><b>Capital Grant</b></p> <p>Lack of availability of external Capital Grant to deliver key housing schemes for range of client groups and corporate / portfolio plan priorities.</p> <p>Registered Providers (RPs) have advised the Council that there are a lack of available, suitable sites within the Borough on which new affordable housing schemes can be developed over the short to medium term in order to assist in meeting the Council's statutory housing and homelessness duties. This means that there will be limited bids by RPs to the Greater London Authority to access 2015-18 GLA Available Housing Funds to enable new development in Bromley.</p> <p>Financial - Operational</p>	Kerry O'Driscoll - Head of Strategic Housing	<p><b>Controls:</b></p> <ol style="list-style-type: none"> <li>1. Areas identified</li> </ol> <p>-----</p> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>- Planning to address impact</li> </ul>	<p>There is a financial impact on Housing Needs in ECHS as a failure to develop affordable housing schemes may lead to an increase in homelessness and increase demand for bed and breakfast accommodation.</p>

ECS/HSN.0371	Education, Care and Health Services	Housing Needs	Housing Needs	<p><b>Bed &amp; Breakfast</b></p> <p>Housing client pressures and the effects of bed and breakfast accommodation. Rising use and cost of B&amp;B.</p> <p>Social - Strategic (sub: Operational - Financial)</p>	Sara Bowrey - Assistant Director Housing Needs	<p><b>Controls:</b></p> <p>1. Continue to focus on preventing homelessness and diversion to alternative housing options</p> <p>-----</p> <p><b>Actions:</b></p> <p>- Seeking new and alternative forms of temporary accommodation and supply</p> <p>- Invest to Save project</p>	<p>Pressures can be seen to derive directly from the cumulative impact of welfare reforms in the current economic climate. Whilst the Housing Needs service seeks wherever possible to prevent homelessness or secure alternative housing options to keep homelessness acceptances and temporary accommodation placements to an absolute minimum, the situation has continued to deteriorate with the number of households in temporary accommodation rising to 806 as at the end of December 2013. Of these, 405 are in nightly paid forms of accommodation, an area of budget pressure.</p> <p>On 20 November 2013, Executive agreed the draw down of £1m set aside in central contingency against anticipated risks resulting from the impact of welfare reform and the current economic and housing climate.</p>
ECS/PUH.372	Education, Care and Health Services	Public Health	Public Health	<p><b>Emergency Planning</b></p> <p>The risk of a major infectious disease outbreak e.g. avian flu, causing mass fatalities</p> <p>Strategic - Environment</p>	Nada Lemic - Director Public Health	<p><b>Controls:</b></p> <p>1. Robust plans are in place, including Outbreak Plan, Flu Plan and Pandemic Flu Plan.</p> <p>2. Alert system via the South East London Health Protection Unit (SELHPU) is in place with regular monitoring of reports.</p> <p>3. Annual Flu vaccination programme in place.</p> <p>-----</p> <p><b>Actions:</b></p> <p>- Business Continuity plans have been reviewed by all departments</p>	<p>An economic model published in the British Medical Journal in 2009 estimated the costs related to illness alone ranged between 0.5% and 1% of Gross Domestic Product for a low fatality scenario. Substituting the ECHS budget of £122m as a proxy the potential financial impact ranges from c£600k to £1.2m.</p> <p>These estimates increase if a greater number of people stay away from work as a preventative matter.</p> <p>ECHS DMT will be downgrading this risk to medium after the spring and will review again in the autumn.</p>
ENV/ALL.0157	Environment and Community Services	All ENV Divisions	All ENV Sections	<p><b>Operational Emergencies</b></p> <p>Operational Emergencies (e.g. extreme heat, storms, floods, snow) leading to major disruption of highways infrastructure and service provision</p> <p>Physical - Operational</p>	All ENV Assistant Directors	<p><b>Controls:</b></p> <p>1. Emergency Plan</p> <p>-----</p> <p><b>Actions:</b></p> <p>- Cross discipline trained local authority liaison officers</p> <p>- Invicta out-of-hours service (published number and escalation procedure)</p>	<p>The cost of an extreme weather event is estimated at £800k based on our experiences in the winters of 2009/10 ('The Big Freeze' when there large snowfalls in December and January) and 2010/11 (the coldest December in 100 years) which resulted in large overspends in each year for winter maintenance, including repairs to potholes and additional snow waste collection costs.</p> <p>As a more recent example full Council agreed the following one-off initiatives on 24 Feb 2014:</p> <p>a) The replacement of fallen trees following storm damage - £100k</p> <p>b) Provision for emergency flood damage - £100k</p>

ENV/PAR.0393	Environment and Community Services	Parking and Customer Services	Parking	<p><b>Parking</b></p> <p>Proposed Government changes to Parking Regulations leading to major loss of Parking income (fines)</p> <p>Financial - Operational</p>	Gavin Moore - Assistant Director Parking and Customer Services	<p><b>Controls:</b></p> <ol style="list-style-type: none"> <li>1. Continue to lobby Department for Transport (DfT) against the proposals</li> <li>2. Ensure Portfolio Holder and Leader are fully briefed</li> </ol> <p>-----</p> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>- Contingency planning</li> </ul>	The Government issued a consultation paper in early December 2013 on local authority parking strategies and enforcement arrangements. Options include banning CCTV enforcement, grace periods for parking prior to penalties being issued, and a change in appeal arrangements. The total cost implications, which relate mainly to a reduction in static and mobile CCTV income, could exceed £1m per annum. Bus lane enforcement is unaffected by these proposals. A provision for this risk is included in the Council's Central Contingency, reflecting the impact of this uncertainty.
ENV/ENP.0096	Environment and Community Services	Public Protection	Environmental Protection	<p><b>CCTV</b></p> <p>Failure to upgrade Closed Circuit Television (CCTV) system, which is no longer technically supported, leading to service loss and loss of parking income</p> <p>Physical - Operational</p>	Jim McGowan - Head of Environmental Protection	<p><b>Controls:</b></p> <ol style="list-style-type: none"> <li>1. Regular monitoring of system by CCTV Manager</li> <li>2. Major problems are reported as soon as they occur</li> </ol> <p>-----</p> <p><b>Actions:</b></p> <ul style="list-style-type: none"> <li>- System rebuild at a cost of £340k, approved by Executive 15 Feb 2014</li> </ul>	The cost of upgrading the CCTV system is estimated at £340k. If the CCTV system failed and wasn't replaced, the financial impact would be the current CCTV-related (static cameras and bus lane enforcement) income projection for 2013/14 of £1.027m.

## INSTANT GUIDE TO RISK MANAGEMENT

The Process	Identify your risks	Assess your risks	Control your risks	Monitor and Review your risks
<p>Risk Management is an important element of the system of internal control. It is based on a process designed to identify and prioritise risks to achieving Bromley's policies, aims and objectives.</p> <p>The Risk Management process is a continuous cycle:</p> <p>Using your objectives Identify your risks&gt; Assess your risks &gt; Control your risks&gt; Monitor and Review your risks.</p> <p>Useful definitions:</p> <p><b>Risk Management</b> is the identification, analysis and overall control of those risks which can impact on the Council's ability to deliver its priorities and objectives.</p> <p><b>Risk</b> is the chance of something happening which will have an impact on objectives.</p> <p>The message is that if you don't manage your risks then you are unlikely to achieve your objectives</p>	<p>Brainstorming session using IE&amp;E plans and departmental objectives, to identify threats and opportunities.</p> <p>Useful analytical tools:</p> <p><b>Political</b> <b>Economic</b> <b>Social</b> <b>Technological</b> <b>Legal</b> <b>Environmental</b></p> <p><b>PESTLE</b> provides a simple and useful framework for identifying and analysing external factors which may have an impact on your service.</p> <p><b>Strengths</b> <b>Weaknesses</b> <b>Opportunities</b> <b>Threats</b></p> <p>Using the <b>PESTLE</b> output <b>SWOT</b> is a technique that can help a service to focus on areas for improvement and opportunities that could be pursued.</p> <p>Remember if it can go wrong it will go wrong.</p>	<p>We use a 5 x 5 matrix to assess risks (see Risk Matrix worksheet).</p> <p>Risk is scored using the RAG traffic light system:</p> <p>Red = High Amber = Medium Green = Low</p> <p>There are two risk variables that make up the overall risk rating:</p> <p>Impact – how minor / severe is it when it happens?</p> <p>Likelihood – how likely is it / how often does it happen?</p> <p>The Risk Management Toolkit provides detailed guidance on how to score these.</p> <p>Some of these assessments can be based on past experience. In other cases you will need to take a view.</p> <p>We measure both gross risk (before any controls are taken into account) and net or residual risk.</p>	<p>Consider the controls you have in place to mitigate or reduce the risk.</p> <p>What further controls are required? Record these as actions until they are completed.</p> <p>Consider the cost of any controls against the potential benefit gained.</p> <p>What is our <b>Risk Appetite</b>? An element of risk is unavoidable or we would never do anything!</p> <p><b>RETAIN</b> a risk – monitor to ensure the impact and likelihood do not change</p> <p><b>REDUCE</b> a risk – put additional controls in place</p> <p><b>TRANSFER</b> a risk – by insuring or passing the risk to a third party</p> <p><b>AVOID</b> a risk – stop doing the activity</p> <p>Risk of service failure can be minimised by ensuring effective <b>Business Continuity</b> Plans are in place. For guidance contact the Emergency Planning Manager Steve Lewis x4388.</p>	<p>Risks should be reviewed at least annually and whenever your business plans change.</p> <p>Remember risks evolve and change over time. Are the controls still effective?</p> <p>Your aim should be to:</p> <p>Manage <b>threats</b> that may hinder delivery of priorities and maximise <b>opportunities</b> that will help to deliver them.</p> <p>The Bromley Risk Register is maintained centrally by Audit and includes details of the risks, risk owners, controls and actions.</p> <p>Further guidance on <b>Risk Management</b> can be found in the Managers' Toolkit on onebromley. This also provides links to the <b>Risk Management Strategy, Risk Management Toolkit</b> and <b>Risk Register</b>.</p> <p>The site also provides a link to the <b>Health and Safety</b> Unit who carry out H&amp;S risk assessments. For guidance contact the Occupational Safety Advisor Patricia Hook x7584.</p>